

March 30, 2004

Theresa Pratt
Department of Health and Human Services
Centers for Medicare and Medicaid Services
Division of Integrated Health Systems
7500- Security Boulevard, Mail Stop S2-14-26
Baltimore, Maryland 21244-1850

Dear Ms. Pratt:

The state of Washington accepts the terms and conditions of your March 1, 2004 waiver renewal approval covering the period of April 1, 2004 through March 31, 2006 with the following understanding:

To better understand both Community Reinvestment Fund and 1915(b)(3) services, the state will seek technical assistance of other states and the Centers for Medicare and Medicaid Services (CMS). By January 2005, the state will establish a Community Reinvestment Fund in which the Regional Support Networks (RSNs) will deposit profit/savings from the waiver. After that date, we will no longer use savings to pay for non-eligibles.

The state's model contract was submitted to CMS on March 22, 2004 and was submitted without the rates pending final approval. The department would appreciate approval of the language in the model contract (without the rates) no later than April 15, 2004. We understand that CMS cannot officially approve the contract until the contractor and the state execute them.

It is our intention that once the language in the model contract is approved, we will send it to the RSNs so they may begin to inform their county-elected officials of the upcoming changes.

Per our March 26, 2004 telephone conversation, contract base year data and data that supports cost effectiveness and rate-setting procedures will be submitted in time for a follow-up meeting that will occur before April 9, 2004 with CMS, Milliman USA and the state.

The department is unable to issue final contracts until CMS approves the rates; however, the contracts will be executed within 90 days of CMS approval of the rates.

The department will submit the required reporting according to the other terms and conditions. The department will also complete the terms and conditions of the last period's waiver renewal which is the final report on term and condition # 6 (Enrollee protections: Access) which is due to CMS Region X by December 31, 2004.

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This has been a difficult process that has concluded successfully. We appreciate the continued efforts of CMS staff and look forward to our ongoing working relationship.

Sincerely,

Karl R. Brimner, M.Ed.
Director
Mental Health Division

cc: Karen O'Connor
Dennis Braddock
Tim Brown

Terms and Conditions Response Timeline

Condition	Action
Condition # 1 - Review the contract base year data and submit detailed cost documentation on the expenditure amount for any service (including utilization) not in the current State Plan.	<ul style="list-style-type: none"> Completed April 1, 2004 with meeting scheduled April 7, 2004.
Condition # 2 - Detailed base year data that supports cost effectiveness determination and assures that rate-setting procedures currently under review exclude expenditures for services to non-Medicaid eligibles.	<ul style="list-style-type: none"> Completed April 1, 2004 with meeting scheduled April 7, 2004. New actuary report scheduled for 2005.
Condition # 3 - Per 42 CFR 438.240(a)(2) and approval of this waiver, the State must contractually require RSNs to conduct a Performance Improvement Project for improving encounter data, which must be reviewed by the State's EQRO annually using the CMS EQR protocols for Validating Performance Improvement Projects and Validating Encounter Data. For the first year, baseline encounter data must be reported by June 30, 2005.	<ul style="list-style-type: none"> Contract term completed August 1, 2003. EQRO contract includes the requirement of Attachment Z and the Performance Improvement Project protocol. Baseline encounter data reported by June 30, 2005.
Condition #4 - State must establish a Community Reinvestment Fund. The State must require that any profits/savings under this waiver be deposited into the fund to be used for 1915(b)(3) services to support the development of community-based services for the prevention, early intervention and treatment of mental illness for Medicaid beneficiaries only.	<ul style="list-style-type: none"> Contract language has been included in the model contract to establish a Community Reinvestment Fund by January 1, 2005 in which the RSNs will deposit profit/savings from waiver services. After that date, savings will no longer be used to pay for non-eligibles. A transition plan has been shared with CMS.
Condition #5 - Preprint Question F (b) are under the Waiver but outside of the contract. The State must report the cost in Column I on the CMS 64.9 waiver forms and count these costs toward the State's cost-effectiveness, beginning the quarter ending June 30, 2004.	<ul style="list-style-type: none"> Work within the department has commenced and the first report scheduled to be submitted by August 2004 (for the quarter ending June 30, 2004) and quarterly thereafter.

<p>Condition # 6 - State must assure adequate funding for the 2-year renewal period and must competitively procure an EQRO, which meets all regulatory requirements. In addition, the State must submit quarterly progress reports of EQRO to the CMS Regional Office beginning the quarter ending June 30, 2004. The State has 30 days to submit the quarterly progress reports, the first of which must be submitted by July 31, 2004</p>	<ul style="list-style-type: none"> • Funding secured by the MHD. The EQRO RFP has been issued and a vendor tentatively selected. Negotiations are occurring at this time. It is estimated that the contract draft will be sent to CMS in early April with an anticipated contract effective date of May 1, 2004. • Reports will be submitted according to the condition.
<p>Condition # 7 – The State must assure adequate funding for, and must ensure that all PIHPs and subcontractors comply with the information requirements as specified in 42 CFR 438. In addition, the State must submit semi-annual progress reports regarding the development and distribution of information materials to the CMS Regional Office beginning the period ending September 30, 2004. The State has 30 days to submit the progress reports, the first of which must be submitted by October 31, 2004.</p>	<ul style="list-style-type: none"> • Funding is in place and the information material will be sent to enrollees in May of 2004 and 2005. • Required reports will be sent to CMS beginning October 31, 2004.
<p>Condition #8 - The State must revise all contracts to reflect the changes of the approved renewal application by April 1, 2004</p>	<ul style="list-style-type: none"> • The model contract language was sent to CMS on March 22, 2004.